

Message Text

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TAGS: BEXP, UR

SUBJ: INTERNATIONAL HARVESTER INTENSIFIES ITS USSR
ACTIVITIES

1. SUMMARY IH VICE-PRESIDENT R.J. MCMENAMIN AND BRIAN REARDON, ASSISTANT MANAGER, CONSTRUCTION EQUIPMENT SALES OF IH, CALLED AT EMBASSY JANUARY 24 TO BRIEF US ON LATEST IH INITIATIVES IN SOVIET MARKET AND ON STATUS OF COMPANY PLANS TO OPEN ITS ACCREDITED MOSCOW OFFICE.
END SUMMARY

2. MOST INTRIGUING PROSPECT FOR IMMEDIATE SALE BY IH IS PROPOSAL TO SUPPLY MINNON-FERROUS METALLURGY/TRACTOR EXPORT WITH ABOUT 30 LOADERS WITH CAPACITY OF ELEVEN CUBIC FEET EACH TO BE USED AT SOVIET GOLD MINES AT ALDAN (YAKUTSKAYA ASSR) AND IN "CENTRAL ASIA" (PRESUMABLY KYZL'-KUM). SOVIETS SOME MONTHS AGO PURCHASED ONE SUCH LOADER (VALUED AT \$200,000 EACH) AND HAVE BEEN PUTTING IT THROUGH ITS PACES AT ALDAN. THEY HAVE ALSO ALLOWED IH TECHNICIAN TO SITE OF ALDAN GOLD MINE TO OVERSEE OPERATION OF LOADER. NEGOTIATIONS ARE IN FINAL STAGES, AND IH REPS. SEE ONLY CATERPILLAR AS POSSIBLE COMPETITION (REPS. FROM THAT COMPANY ARE ALSO IN MOSCOW); THEY FEEL, HOWEVER, THAT IH HAS EDGE IN THAT IT ALREADY HAS "SAMPLE" LOADER IN OPERATION WITHIN GOLD MINING INDUSTRY. (FYI CATERPILLAR REPS. ALSO CALLED AT EMBASSY ON JANUARY 24 AND RELATED SIMILAR STORY ABOUT ALDAN;
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COMPANY APPARENTLY HAS ALSO PLACED SOME OF ITS EQUIPMENT THERE,

AND SOVIETS HAVE INVITED ONE OF CATERPILLAR TECHNICIANS TO VISIT ALDAN AND LOWER LENA AREA BEGINNING NEXT WEEK TO SERVICE FIRM'S MACHINERY. END FYI). SOVIETS ARE PROPOSING TO PAY CASH IN THIS TRANSACTION (TOTAL VALUE SOMEWHERE BETWEEN \$5 AND \$10 MILLION); THE END-USERS IN THIS AREA CLEARLY HAVE NO HARD CURRENCY ALLOCATION PROBLEMS. (COMMENT WE FIND IT MOST INTERESTING THAT SOVIETS HAVE ALLOWED FOREIGNER(S) TO PENETRATE THE VEIL OF SECRECY THAT HAS TRADITIONALLY SHROUDED GOLD PRODUCTION INDUSTRY. WE WILL ATTEMPT TO INTERVIEW EITHER IH TECHNICIAN--WHO IS RETURNING IN FEBRUARY--OF CATERPILLAR MAN. END COMMENT)

3. ON JAN. 23 MINFORTRADE OFFICIAL (SUSHKOV) TOLD MCMENAMIN THAT USSR HAS IMMEDIATE NEED FOR ANOTHER 500 "CRAWLERS" (USED IN DIGGING OIL PIPELING TRENCHES), EQUIPPED FOR USE UNDER ARCTIC CONDITIONS. WHILE IH PRODUCTION IS BOOKED UP MONTHS AHEAD MCMENAMIN AGREED TO GIVE PRIORITY TO SOVIET REQUEST, BUT STATED TO SUSHKOV THAT PRICE WOULD BE CONSIDERABLY HIGHER (I.E. BY AROUND 25 PER CENT) THAN THE \$40 MILLION PAID BY SOVIETS FOR IH CRAWLERS LAST TIME AROUND (EXPECIALLY, HE SATED, ASSUMING UNAVAILABILITY OF EX-IM FUNDS AND A SEVEN YEAR PAYOFF AT CURRENT INTEREST RATES).

4. IH RUNNING UP AGAINST USUAL BUREAUCRATIC PROBLEMS IN ITS EFFORT TO OPEN ACCREDITED OFFICE IN MOSCOW. UPDK CONTINUES TO PROMISE BUT NOT DELIVER. WE EXPLAINED THAT HOUSING STILL IN CRITICALLY SHORT SUPPLY HERE, BUT OPINED THAT SOMETHING WILL PROBABLY OPEN UP WITHIN NEXT TWO MONTHS. IN RESPONSE TO QUESTION FROM MCMENAMIN, WE STRESSED, HOWEVER, THAT DELAYS BEING ENCOUNTERED BY IH ARE COMPLETELY TYPICAL AND IN NO WAY CAN BE TAKEN AS SIGN OF SOVIET DISFAVOR OVER CURRENT PROBLEMATICAL STATE OF MFN AND CREDITS IN CONGRESS. IH DESIRE TO STATION FULL-TIME SERVICE TECHNICIAN IN MOSCOW AS PART OF OFFICE STAFF CONTINUES TO MEET WITH RELUCTANCE ON PART OF SOVIETS, PRESUMABLY BECAUSE MUCH OF EQUIPMENT HE WOULD SERVICE IS LOCATED IN SENSITIVE AREAS OF COUNTRY. IN LIGHT OF SOVIET WILLINGNESS TO ALLOW IH (AND, PRESUMABLY CATERPILLAR) TECHNICIAN TO VISIT ALDAN GOLD MINE, HOWEVER, THIS ATTITUDE MAY WELL BE CHANGING.

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